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GRANITE ANNOUNCES 2015 THIRD QUARTER RESULTS

November 4, 2015, Toronto, Ontario, Canada — Granite Real Estate Investment Trust and Granite REIT Inc. (TSX: GRT.UN; NYSE: GRPU) (“Granite” or the “Trust”) today announced their combined results for the three and nine month periods ended September 30, 2015.

HIGHLIGHTS

Highlights for the three month period ended September 30, 2015, including events subsequent to the quarter, are set out below:

- Rental revenue was up 6.9% in comparison to the third quarter of 2014 primarily due to the appreciation of the U.S. dollar relative to the Canadian dollar and the acquisition of two U.S. income-producing properties in December 2014;
- Comparable funds from operations (“FFO”)⁽¹⁾⁽²⁾ was \$39.8 million (\$0.84 cents per stapled unit) for the third quarter of 2015 up 2.7% in comparison to the same quarter last year despite several unusual items that had a net adverse impact on the quarter’s results which are discussed in more detail below;
- Completed the renewal or extension of all but one of the seven leases expiring in 2015 which represented approximately 0.7 million square feet with ALP⁽³⁾ of approximately \$4.2 million;
- Renewed four of the nine leases expiring in 2016 representing approximately 0.8 million square feet and ALP⁽³⁾ of \$5.9 million; and
- Sold four non-core properties in Canada, the United States and Germany representing approximately 0.3 million square feet for gross proceeds of approximately \$11.5 million.

Granite’s results for the three and nine month periods ended September 30, 2015 and 2014 are summarized below (all figures are in Canadian dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<i>(in thousands, except per unit figures)</i>				
Revenues	\$ 54,854	\$ 51,301	\$ 161,360	\$ 156,394
Net income from continuing operations	47,053	3,713	150,109	42,304
Net income from discontinued operations	—	—	—	6,757
Net income	\$ 47,053	\$ 3,713	\$ 150,109	\$ 49,061
Funds from operations (“FFO”) ⁽¹⁾	\$ 39,771	\$ 10,133	\$ 118,870	\$ 89,007
Comparable FFO ⁽²⁾	\$ 39,771	\$ 38,713	\$ 118,870	\$ 117,587
Basic FFO per stapled unit ⁽¹⁾	\$ 0.85	\$ 0.22	\$ 2.53	\$ 1.89
Diluted FFO per stapled unit ⁽¹⁾	\$ 0.84	\$ 0.22	\$ 2.52	\$ 1.89
Basic comparable FFO per stapled unit ⁽²⁾	\$ 0.85	\$ 0.82	\$ 2.53	\$ 2.50
Diluted comparable FFO per stapled unit ⁽²⁾	\$ 0.84	\$ 0.82	\$ 2.52	\$ 2.50
Fair value of investment properties ⁽⁴⁾			\$2,542,477	\$2,237,214

Readers are cautioned that certain terms used in this press release such as FFO, comparable FFO and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have standardized meanings prescribed under International Financial Reporting Standards (“IFRS”) and, therefore, should not be construed as alternatives to net income, cash flow from operating activities or revenue, as appropriate, calculated in accordance with IFRS. Additionally, because

these terms do not have a standardized meaning prescribed by IFRS they may not be comparable to similarly titled measures presented by other publicly traded entities.

- (1) FFO is defined as net income attributable to stapled unitholders prior to fair value gains (losses), gains (losses) on sale of investment properties, acquisition transaction costs, deferred income taxes and certain other non-cash items, adjusted for non-controlling interests in such items. The Trust's determination of FFO follows the definition prescribed by the Real Estate Property Association of Canada ("REALPAC") and is a widely used measure by analysts and investors in evaluating the performance of real estate entities. Granite considers FFO to be a meaningful supplemental measure that can be used to determine the Trust's ability to service debt, finance capital expenditures and provide distributions to stapled unitholders. FFO is reconciled to net income, which is the most directly comparable IFRS measure (see "*Reconciliation of Funds from Operations to Net Income Attributable to Stapled Unitholders*"). FFO does not represent or approximate cash generated from operating activities determined in accordance with IFRS and is not reconciled to cash flow from operating activities as the calculation of FFO does not consider changes in working capital items or adjust for certain other non-cash items that are included in the determination of cash flow from operating activities in accordance with IFRS.
- (2) When applicable, certain large unusual items that are not expected to be of a recurring nature may be added to FFO to arrive at a comparable FFO amount. For the three and nine month periods ended September 30, 2015, there were no such adjustments. Comparable FFO for the three and nine month periods ended September 30, 2014 excludes \$28.6 million of early redemption costs associated with the 6.05% unsecured debentures which were due on December 22, 2016 (the "2016 Debentures"). All of the outstanding 2016 Debentures were redeemed on August 5, 2014. As the redemption of unsecured debentures is not expected to be of a recurring nature, the costs have been added to FFO to arrive at a comparable FFO amount for the prior periods. In the future, other large unusual items that are not expected to be of a recurring nature may also be considered when determining comparable FFO and will be explicitly described and quantified. For a reconciliation of FFO to comparable FFO, please refer to the section titled "*Reconciliation of Funds from Operations to Net Income Attributable to Stapled Unitholders*".
- (3) ALP represents Granite's total annual rent assuming that contractual lease payments in place at the last day of the reporting period were in place for an entire year or less than a year if non-renewal or termination notices have been provided or the disposal of a property is certain. Accordingly, any revenue changes from future contractual rent adjustments, renewal and re-leasing activities or expansion and improvement projects to be completed are not reflected in ALP as at any given period end. In addition, rents denominated in foreign currencies are converted to Canadian dollars based on exchange rates in effect at the last day of the reporting period. Granite considers annualized lease payments to be a useful indicator of rental revenue (excluding tenant recoveries and straight line revenue adjustments) anticipated in the upcoming 12 month period. ALP is also a measure that is used by analysts in evaluating the outlook for real estate entities as it provides a forward-looking estimate of revenue using the present trends and foreign exchange rates in effect at the last day of the reporting period. ALP is not reconciled to any IFRS measure as it is an indicator of anticipated revenue and therefore not comparable to any measure in the combined financial statements.
- (4) At period end.

GRANITE'S COMBINED FINANCIAL RESULTS

On June 26, 2014, Granite disposed of its portfolio of Mexican properties. As the Mexican properties represented a significant geographical area of operations, the Trust has presented the income and expenses associated with the Mexican portfolio as discontinued operations on a retroactive basis to prior reporting periods. Discontinued operations are reported separately from income and expenses from continuing operations in the combined financial statements. Granite's results of operations for the three and nine month periods ended September 30, 2015 and the three month period ended September 30, 2014 were not impacted by discontinued operations.

Three month period ended September 30, 2015

For the three month period ended September 30, 2015, rental revenue increased by \$3.6 million to \$54.9 million from \$51.3 million in the third quarter of 2014. The increase in rental revenue was primarily due to the effect of favourable foreign exchange rates and the acquisition of two properties in the United States during the fourth quarter of 2014, partially offset by disposals of income-producing properties.

Granite's net income in the third quarter of 2015 was \$47.1 million compared to \$3.7 million for the third quarter of 2014. Net income increased primarily due to (i) the \$28.6 million in early redemption costs associated with the 2016 Debentures incurred in 2014 and (ii) net fair value gains on investment properties of \$15.3 million compared to net fair value losses of \$4.7 million in the prior year period, partially offset by a \$4.2 million increase in deferred income tax expense.

Comparable FFO for the three month period ended September 30, 2015 was \$39.8 million and included several unusual items that overall had a net adverse impact on the quarter's results. These include the

negative impact of (i) a severance expense of \$3.5 million associated with the departure of Granite's Chief Executive Officer that, after taking into account the surrender of his units under the equity-based compensation plan, resulted in a net expense of \$1.8 million, (ii) advisory costs incurred with respect to the review of strategic alternatives of \$0.5 million and (iii) an increase in current income tax expense of \$0.3 million in connection with the liquidation of the Mexican operation. These higher expenses were mitigated by \$1.8 million of lower compensation costs associated with Granite's unit-based compensation plans due to the depreciation of the market price of the Trust's stapled units. Comparable FFO for the three month period ended September 30, 2015 was \$1.1 million higher than the \$38.7 million reported for the third quarter of 2014. This was primarily due to (i) a \$3.6 million increase in rental revenue and (ii) a \$0.8 million reduction in net interest expense, partially offset by (i) a \$1.2 million reduction in foreign exchange gains, (ii) a \$1.1 million increase in general and administrative expenses and (iii) a \$0.6 million increase in current income tax expense primarily due to a withholding tax payment associated with the liquidation of the Mexican operation and to a lesser extent the effect of a higher euro exchange rate relative to the Canadian dollar.

Nine month period ended September 30, 2015

For the nine month period ended September 30, 2015, rental revenue increased by \$5.0 million to \$161.4 million from \$156.4 million in the prior year period. The increase in rental revenue was primarily due to the reasons noted above. For the nine month period ended September 30, 2014, there was \$7.1 million in revenue from discontinued operations.

Granite's net income from continuing operations in the nine month period ended September 30, 2015 was \$150.1 million compared to \$42.3 million reported for the nine month period ended September 30, 2014. Net income from continuing operations increased primarily due to (i) net fair value gains on investment properties of \$62.0 million compared to net fair value losses of \$33.8 million in the prior year period, (ii) the \$28.6 million in early redemption costs associated with the 2016 Debentures incurred in 2014 and (iii) lower interest expense of \$5.7 million, partially offset by a \$21.7 million increase in deferred income tax expense.

Comparable FFO for the nine month periods ended September 30, 2015 and 2014 was \$118.9 million and \$117.6 million, respectively. The increase in comparable FFO is attributed to (i) the \$5.0 million increase in rental revenue and (ii) a \$5.7 million reduction in net interest expense, partially offset by (i) a \$1.4 million reduction in foreign exchange gains, (ii) a \$1.0 million increase in general and administrative expenses, (iii) a \$1.1 million increase in current income tax expense primarily due to reduced recoveries from the settlement of income tax audits and (iv) a \$5.9 million decrease in FFO from discontinued operations.

In the nine month period ended September 30, 2014, Granite completed the disposition of its portfolio of Mexican properties to a subsidiary of Magna for gross proceeds of \$113.7 million (U.S. \$105.0 million) and incurred a \$5.1 million loss on disposal due to certain closing adjustments and associated selling costs. As a result of the disposition of the Mexican operations, net cumulative foreign currency translation gains of \$5.7 million were reclassified from equity and recorded in net income.

A more detailed discussion of Granite's combined financial results for the three and nine month periods ended September 30, 2015 and 2014 is contained in Granite's Management's Discussion and Analysis of Results of Operations and Financial Position and the unaudited condensed combined financial statements for those periods and the notes thereto, which are available through the internet on Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com and on the United States Securities and Exchange Commission's (the "SEC") Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") which can be accessed at www.sec.gov.

RECONCILIATION OF FUNDS FROM OPERATIONS TO NET INCOME ATTRIBUTABLE TO STAPLED UNITHOLDERS

<i>(in thousands, except per unit information)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income attributable to stapled unitholders	\$ 47,710	\$ 3,636	\$148,169	\$ 48,759
Add (deduct):				
Fair value losses (gains) on investment properties, net	(15,287)	4,704	(62,041)	33,827
Fair value losses (gains) on financial instruments	1,258	124	1,498	(215)
Loss on sale of investment properties	726	80	959	262
Current income tax expense associated with the sale of investment properties	351	—	701	1,099
Deferred income taxes	5,746	1,580	27,809	6,070
Non-controlling interests relating to the above	(733)	9	1,775	53
FFO adjustments related to discontinued operations	—	—	—	(848)
FFO	\$ 39,771	\$10,133	\$118,870	\$ 89,007
Early redemption costs of unsecured debentures	—	28,580	—	28,580
Comparable FFO	\$ 39,771	\$38,713	\$118,870	\$117,587
Basic FFO per stapled unit	\$ 0.85	\$ 0.22	\$ 2.53	\$ 1.89
Diluted FFO per stapled unit	\$ 0.84	\$ 0.22	\$ 2.52	\$ 1.89
Basic comparable FFO per stapled unit	\$ 0.85	\$ 0.82	\$ 2.53	\$ 2.50
Diluted comparable FFO per stapled unit	\$ 0.84	\$ 0.82	\$ 2.52	\$ 2.50
Basic number of stapled units outstanding	47,017	47,014	47,017	46,988
Diluted number of stapled units outstanding	47,100	47,083	47,107	47,055

CONFERENCE CALL

Granite will hold a conference call on Thursday, November 5, 2015 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-659-9004. Overseas callers should use +1-416-981-9070. Please call in at least 10 minutes prior to start time. The conference call will be chaired by Michael Forsayeth, Chief Financial Officer and Interim Chief Executive Officer. For anyone unable to listen to the scheduled call, the rebroadcast numbers will be: North America — 1-800-558-5253 and Overseas — +1-416-626-4100 (enter reservation number 21779709) and will be available until Monday, November 16, 2015.

ABOUT GRANITE

Granite is a Canadian-based REIT engaged in the ownership and management of predominantly industrial, warehouse and logistics properties in North America and Europe. Granite owns approximately 30.0 million square feet in over 95 rental income properties. Our tenant base currently includes Magna International Inc. and its operating subsidiaries as our largest tenants, together with tenants from other industries.

For further information, please contact Michael Forsayeth, Chief Financial Officer and Interim Chief Executive Officer, at 647-925-7600.

OTHER INFORMATION

Additional property statistics as at September 30, 2015 have been posted to our website at <http://www.granitereit.com/propertystatistics/view-property-statistics>. Copies of financial data and other publicly filed documents are available through the internet on SEDAR which can be accessed at www.sedar.com and on EDGAR which can be accessed at www.sec.gov.

FORWARD-LOOKING STATEMENTS

This press release may contain statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation, including the United States Securities Act of 1933, as amended, the United States Securities Exchange Act of 1934, as amended, and applicable Canadian securities legislation. Forward-looking statements and forward-looking information may include, among others, statements regarding Granite’s future plans, goals, strategies, intentions, beliefs, estimates, costs, objectives, economic performance, expectations, or foresight or the assumptions underlying any of the foregoing. Words such as “may”, “would”, “could”, “should”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “seek” and similar expressions are used to identify forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information should not be read as guarantees of future events, performance or results and will not necessarily be accurate indications of whether or the times at or by which such future performance will be achieved. Undue reliance should not be placed on such statements. There can be no assurance that the intended developments in Granite’s relationships with its tenants, the expansion and diversification of Granite’s real estate portfolio, the expected cost of development and re-development projects and the expected sources of funding and increases in leverage can be achieved in a timely manner, with the expected impact or at all. Forward-looking statements and forward-looking information are based on information available at the time and/or management’s good faith assumptions and analyses made in light of Granite’s perception of historical trends, current conditions and expected future developments, as well as other factors Granite believes are appropriate in the circumstances, and are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond Granite’s control, that could cause actual events or results to differ materially from such forward-looking statements and forward-looking information. Important factors that could cause such differences include, but are not limited to, the risk of changes to tax or other laws and treaties that may adversely affect Granite Real Estate Investment Trust’s mutual fund trust status under the *Income Tax Act* (Canada) or the effective tax rate in other jurisdictions in which Granite operates; economic, market and competitive conditions and other risks that may adversely affect Granite’s ability to achieve desired developments in its relationships with its tenants, expand and diversify its real estate portfolio and increase its leverage; and the risks set forth in the “Risk Factors” section in Granite’s Annual Information Form for 2014 dated March 4, 2015, filed on SEDAR at www.sedar.com and attached as Exhibit 1 to the Trust’s Annual Report on Form 40-F for the year ended December 31, 2014, filed with the SEC and available online on EDGAR at www.sec.gov, all of which investors are strongly advised to review. The “Risk Factors” section also contains information about the material factors or assumptions underlying such forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information speak only as of the date the statements and information were made and unless otherwise required by applicable securities laws, Granite expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements or forward-looking information contained in this press release to reflect subsequent information, events or circumstances or otherwise.